QWEST CORPORATION – DEPRECIATION WAIVER PETITION
RESPONSES TO WIRELINE COMPETITION BUREAU'S QUESTIONS

1) ***We would like an inventory of the significant sources of discrepancies between the GAAP and Regulatory Books.***

Attachment A is an Excel file entitled "Qwest Net Difference." It contains two worksheets entitled:

- 2006 Net Difference
- 2007 Net Difference

These two worksheets identify and quantify the major sources of difference between Qwest's GAAP and Regulatory Books on January 1, 2006 and February 1, 2007. "2007 Net Difference" includes the effect—retroactive to January 1, 2006—of the depreciation rate changes Qwest filed December 28, 2006 (amended January 30, 2007).

The worksheets show that net plant on Qwest's GAAP books was, respectively, $521 million more and $17 million less than net plant on Qwest's Regulatory Books on January 1, 2006 and February 1, 2007. The sources of the differences are summarized in the following table.

	($ millions)	
	1-Jan-2006	1-Feb-2007
SFAS 143 COR Amount		
Parameters and Timing Differences		
Non Regulated Accounts		
CIAC		
Intangibles & Other		
Total Reserve Differences		
Investment Differences		
Total Net Plant Differences	521	(17)

The figures in the column "1-Feb-2007" reflect the effect of the depreciation rate changes Qwest filed December 28, 2006 (amended January 30, 2007). Without the rate changes, the total net plant differences would have been [redacted] instead of $(17) million.

As of February 1, 2007, the figure for the total net plant differences was a negative number, i.e. the total of the net plant balance on Qwest's Regulatory books exceeded net plant balance on Qwest's GAAP books by approximately

$17 million. Consequently, with a grant of its waiver, Qwest would write-off net plant on its regulatory books.[1]

The following narrative describes the components of the net plant differences on Qwest's GAAP and regulated books.

SFAS 143 COR Amount

This item reflects the difference between Part 32 and GAAP with regard to accruing for expected cost of removal (COR). Part 32 allows for accrual of anticipated COR through depreciation expense accruals. Under SFAS 143, GAAP allows cost recognition only when COR is incurred or when the reporting entity is subject to a legal liability to remove plant.

Parameters and Timing Differences

"Parameters" refers to the use of different depreciation parameters in the calculation of depreciation rates.

"Timing Differences" refers to how frequently rates are changed. Qwest modifies its GAAP depreciation rates annually to reflect the effect that the passage of time has on remaining life calculations and reserve levels and to update projection lives and survivor curves. However, Qwest has changed its regulated depreciation rates only infrequently, with no changes occurring between 1998 and 2006.

Non Regulated Accounts

These amounts reflect the accumulated depreciation activity for assets related to products and services that are not regulated by the Commission.

CIAC

This item is Contributions in Aid of Construction. CIAC is money paid by customers towards the cost of construction of Qwest facilities that are used to

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[1] Qwest believes that while the Commission, in the USTA Depreciation Order, FCC 99-397 at ¶¶ 24-35, anticipated that the regulatory books adjustment would yield a write off instead of write-on of net plant, the condition does not necessarily require that the adjustment be a write-off per se -- only that a company's regulated books be adjusted by a "below-the-line" adjustment. Nevertheless, if the waiver is effective February 1, 2007 the adjustment would yield a write-off of net plant on Qwest's regulatory books instead of a write-on.

provide the contributing customers service. Regulatory Accounting for CIAC is set forth in the Commission's rules, Part 32.2000(a)(2) which requires that contributions toward the construction of telecommunications plant to be credited to the accounts charged. Under GAAP these contributions are treated as revenue. The balance for CIAC represents the depreciation of plant on the GAAP books that was not reflected on Qwest's Regulatory Books because the plant balances were credited to CIAC on the Regulatory Books.

Intangibles & Other

This amount represents timing differences associated with Qwest's amortization of capitalized software and differences in Qwest's Leasehold Improvements associated with impairments on restructured real estate leases.

Investment Differences

These amounts represent accounting differences between the Regulatory (MR) and GAAP books related to investment. Attachment B summaries the amounts and provides a brief description of each.

2) We would like an explanation of how Qwest's salvage expensing works. In particular, Qwest has stated that, under FAS 143, salvage costs are expensed at the end of a piece of equipment's useful life. FAS No. 143 (paragraph 11) states the following:

"Recognition and Allocation of An Asset Retirement Cost

11. Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. An entity shall subsequently allocate that asset retirement cost to expense using a systematic and rational method over its useful life. Application of a systematic and rational allocation does not preclude an entity from capitalizing an amount of asset retirement costs and allocating an equal amount to expense in the same accounting period."

Further in Qwest's petition, Qwest seeks a waiver of the Commission's rule (32.3100(c)) that is in conflict with FAS 143, in footnote 8, Qwest states the following:

". . . Under SFAS No. 143, the normal cost of removal is charged to expense. In addition, to the extent that a legal obligation exists to remove an asset, SFAS 143 requires that the fair value of the obligation be capitalized as part of the carrying value of the asset and depreciated over the remaining life of the asset."

Paragraph 11 of SFAS 143 pertains to the accrual of removal costs where a legal obligation exists. Following is an excerpt of the summary of SFAS 143 that explains the applicability of SFAS 143:

> This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. As used in this Statement, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. (emphasis added)

Paragraph 11 of SFAS 143 pertains to the recognition of and allocation of an asset retirement cost under SFAS 143. In other words, it pertains to accruing the cost of fulfilling legal obligations to retire and remove assets. It does not apply in instances where no legally enforceable obligation to remove an asset exists.

Most of cost of removal for which Qwest accrued depreciation expense on its Regulatory books was for costs that were not associated with a legally enforceable obligation. Following is an excerpt from the Qwest Corporation ("Qwest") Securities and Exchange Commission Form 10-K for the year ended December 31, 2003 that describes the effect of the adoption of SFAS 143.

> **Recently Adopted Accounting Pronouncements and Cumulative Effect of Adoption**
>
> * * *
>
> On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations", or SFAS No. 143, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, generally referred to as asset retirement obligations. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation. If a reasonable estimate of fair value can be made, the fair value of the liability shall be recognized in the period it is incurred, or if not, in the period a reasonable estimate of fair value can be made. This cost is initially capitalized and then amortized over the estimated remaining useful life of the asset. We have determined that we have legal asset retirement obligations associated with the removal of a limited group of long-lived assets and recorded a cumulative effect of a change in accounting principle charge upon adoption of SFAS No. 143 of $7 million (an asset retirement

> obligation of $12 million net of an incremental adjustment to the historical cost of the underlying assets of $5 million) in 2003.
>
> Prior to the adoption of SFAS No. 143, we included in our group depreciation rates estimated net removal costs (removal costs less salvage). These costs have historically been reflected in the calculation of depreciation expense and therefore recognized in accumulated depreciation. When the assets were actually retired and removal costs were expended, the net removal costs were recorded as a reduction to accumulated depreciation. <u>While SFAS No. 143 requires the recognition of a liability for asset retirement obligations that are legally binding, it precludes the recognition of a liability for asset retirement obligations that are not legally binding. Therefore, upon adoption of SFAS No. 143, we reversed the net removal costs within accumulated depreciation for those fixed assets where the removal costs exceeded the estimated salvage value and we did not have a legal removal obligation</u>. This resulted in income from the cumulative effect of a change in accounting principle of $365 million before taxes upon adoption of SFAS No. 143 in 2003. The net income impact of the adoption is $219 million ($365 million less the $7 million charge disclosed above, net of income taxes of $139 million). Beginning January 1, 2003, the net costs of removal related to these assets are being charged to our consolidated statement of operations in the period in which the costs are incurred. (emphasis added)

Qwest uses the definition of a legal obligation contained in SFAS 143 paragraph 2 that reads as follows:

> As used in this Statement, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.[FAS 143 Footnote 3]
>
> > FAS143 Footnote 3—*Black's Law Dictionary,* seventh edition, defines *promissory estoppel* as, "The principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and if the promisee did actually rely on the promise to his or her detriment."

A more detailed discussion of the meaning of legal obligation as used in the context of cost of removal accruals can be found in Appendix A to SFAS 143.

In summary, SFAS 143 Paragraph 11 does not apply to most of the cost of removal for which Qwest accrues an amount to its depreciation reserve on its Regulatory books because that cost of removal is not associated with a legally enforceable obligation as defined by SFAS 143.

Also related to treatment of salvage costs, we would like a discussion of (1) the mechanics of Qwest's transition to FAS 143 with its GAAP books and (2) any changes that would be necessary to the regulatory accounting procedures for Qwest to comply with FAS 143 on its regulatory books if the depreciation waiver is granted.

(1) Mechanics

The mechanics of the transition to FAS 143 with Qwest's GAAP books was set forth in the second paragraph quoted above from Qwest's Form 10-K for the year ended December 31, 2003. In pertinent part it says:

> [U]pon adoption of SFAS No. 143, we reversed the net removal costs within accumulated depreciation for those fixed assets where the removal costs exceeded the estimated salvage value and we did not have a legal removal obligation. This resulted in income from the cumulative effect of a change in accounting principle of $365 million before taxes upon adoption of SFAS No. 143 in 2003. The net income impact of the adoption is $219 million ($365 million less the $7 million charge disclosed above, net of income taxes of $139 million). Beginning January 1, 2003, the net costs of removal related to these assets are being charged to our consolidated statement of operations in the period in which the costs are incurred. (emphasis added)

Following is a summary of the accounting Qwest's Form 10-K describes.

	($millions) Reported	
Reversal of Excess Removal Costs		365
Net Asset	5	
Retirement Obligation	(12)	
Net Asset Retirment Obligation		(7)
Cumulative Effect		358
Taxes		(139)
Net Income Impact		219

(2) Procedure changes

Waiver condition 1 requires that Qwest adjust its net book costs on its regulatory books to the level currently reflected in its financial books. Waiver condition 2 requires that Qwest use the same depreciation factors and rates for both regulatory and financial accounting purposes. Compliance with waiver conditions 1 and 2 requires that Qwest's accounting for depreciation be the same on its regulatory accounting books as it is on it financial accounting books.

For financial accounting purposes, Qwest has complied with SFAS 143 since 2003. Consequently, the procedures necessary for compliance with SFAS 143 are in place and have been in continual use for GAAP accounting. Other than accounting for these transactions by individual jurisdiction no change in accounting procedures is required. Instead, for Regulatory accounting, Qwest will use the same procedures it now uses for GAAP accounting.

3) We would like Qwest to quantify the impact of the various sources of discrepancy, that is, identify the accounts that are most affected by these discrepancies (i.e. is this about poles, cables or central office equipment) and estimate the impact of going to GAAP on the rate of return reported by basket.

Attachment C is an Excel file entitled "Qwest Net Plant." It contains three worksheets entitled:

- 2005 Net Plant
- 2006 Net Plant
- 2007 Net Plant

These three worksheets set forth by account the difference in net plant balances between Qwest's GAAP books and Regulatory books. A review of column (g), "Net Plant Difference" will show the amount of difference in each account at the beginning of 2005, 2006 and 2007. "2007 Net Plant" includes the effect—retroactive to January 1, 2006—of the Qwest's depreciation rate revision filed December 28, 2006 (amended January 30, 2007).

A review of the three worksheets shows that three accounts—[redacted]—dominate. Following is a schedule that shows the Net Plant Differences between Qwest's GAAP and Regulatory books at January 1, 2005, 2006 and 2007. It also shows the net activity during 2005 and 2006 that caused the change in the account balances. The amounts shown are thousands of dollars.

	Difference at 1 Jan 2005	2005 Activity	Difference at 1 Jan 2006	2006 Activity	Difference at 1 Jan 2007
Three Largest Accounts	-	-	-	-	-
All Other Accounts					
All Accounts	-41	-	521,383	-	9,754

Again, the figures above in the columns for 2006 Activity and Difference at 1 Jan 2007 include the effect of the depreciation rate revision Qwest filed December 28, 2006 (amended January 30, 2007).

4) We would like Qwest to describe what is included in the perpetual factor it has created to resolve the Nebraska proceeding, and why that factor isn't bad for Qwest should it ever be necessary to use it without considering accounting reversals that would otherwise reduce the factor.

In light if the depreciation rate revision that Qwest filed December 28, 2006, Qwest is withdrawing its proposal to use a perpetual factor. Instead Qwest proposes that the waiver be granted effective February 1, 2007, when its effect will be a net plant write-off of approximately $17 million on Qwest's regulatory books.

5) We would like to discuss whether it makes sense for Qwest to make changes to it regulatory depreciation rates now, to slow down the rate of increase of the discrepancy between its GAAP and regulatory books. For example, at what rate is the discrepancy growing (how many $ Million month) and when is the time period for changing a depreciation rate?

This particular question prompted Qwest to review the growth of the difference between net plant under GAAP accounting and Regulatory accounting. Qwest determined that the difference was growing at [redacted] However, Qwest has revised its regulated depreciation rates retroactive to January 1, 2006 so that the net plant balances on its GAAP basis books no longer exceed the net plant balances on its Regulatory basis books. The depreciation rate filing that Qwest filed December 28, 2006 (amended on January 30, 2007) accomplishes this objective as of February 1, 2007. It reduced the difference in net plant between Qwest's GAAP and Regulatory books to $10 million as of January 1, 2007 and to $(17) million as of February 1, 2007.

With respect to using depreciation rate filings to keep Qwest's GAAP and Regulatory net plant balances synchronized, Qwest submits that this would be very inefficient and may not work. Updating regulated depreciation rates is time consuming, expensive, and unnecessary under price cap regulation. Waiver of the Commission's depreciation rules is preferable for several reasons, including the following:

1. Qwest reviews and revises its GAAP depreciation rates annually in order to ensure that they continue to reflect changing conditions. With a waiver, Qwest's regulated depreciation rates and net plant balances will mirror its GAAP rates and accurately reflect current conditions.

2. The depreciation expense and depreciation reserve on Qwest's regulated books will match the depreciation expense and depreciation reserve on Qwest's external financial reports.

3. There is no need for the Commission to prescribe depreciation rates under price cap regulation since changes in depreciation expense have no effect on regulated interstate rates.

4. Granting the waiver will free Qwest from the burden and expense of preparing depreciation rate filings and the Commission from the burden of reviewing them.

5. Waiver will allow Qwest to keep its GAAP and Regulatory net plant balances fully synchronized without additional effort by either Qwest or the Commission.

Questions about these answers can be directed to Phil Grate on 206-345-6224.

Qwest Corporation

GAAP vs Regulatory Net Plant Differences as of 1/1/2006 ($M)

Category	GAAP Reserve	Regulatory Reserve	Difference	Cost of Removal Amounts	Parameter and Timing Differences
'OR VEHICLES	REDACTED	280	REDACTED	REDACTED	REDACTED
:RAFT	REDACTED	1	REDACTED	REDACTED	REDACTED
C PURPOSE VEHICLE	REDACTED	1	REDACTED	REDACTED	REDACTED
AGE WORK EQUIP	REDACTED	3	REDACTED	REDACTED	REDACTED
ER WORK EQUIP	REDACTED	98	REDACTED	REDACTED	REDACTED
.DINGS	REDACTED	847	REDACTED	REDACTED	REDACTED
NITURE	REDACTED	2	REDACTED	REDACTED	REDACTED
ICE EQUIPMENT	REDACTED	42	REDACTED	REDACTED	REDACTED
IPANY COMM EQUIP	REDACTED	20	REDACTED	REDACTED	REDACTED
PURPOSE CMPTR	REDACTED	1,216	REDACTED	REDACTED	REDACTED
LOG SW EQUIP	REDACTED	(39)	REDACTED	REDACTED	REDACTED
TAL SW EQUIP	REDACTED	4,522	REDACTED	REDACTED	REDACTED
RATOR SYSTEMS	REDACTED	7	REDACTED	REDACTED	REDACTED
IO SYSTEMS	REDACTED	205	REDACTED	REDACTED	REDACTED
CUIT DDS	REDACTED	46	REDACTED	REDACTED	REDACTED
CUIT DIGITAL	REDACTED	8,258	REDACTED	REDACTED	REDACTED
CUIT ANALOG	REDACTED	255	REDACTED	REDACTED	REDACTED
LIC TEL TERM EQUIP	REDACTED	0	REDACTED	REDACTED	REDACTED
ER TERM EQUIP	REDACTED	274	REDACTED	REDACTED	REDACTED
E LINES	REDACTED	341	REDACTED	REDACTED	REDACTED
IAL CABLE MET	REDACTED	1,118	REDACTED	REDACTED	REDACTED
IAL CABLE NON MET	REDACTED	22	REDACTED	REDACTED	REDACTED
GRD CABLE MET	REDACTED	2,128	REDACTED	REDACTED	REDACTED
GRD CABLE NON MET	REDACTED	453	REDACTED	REDACTED	REDACTED
IED CABLE MET	REDACTED	7,465	REDACTED	REDACTED	REDACTED
IED CABLE NON MET	REDACTED	420	REDACTED	REDACTED	REDACTED
CABLE MET	REDACTED	7	REDACTED	REDACTED	REDACTED
CABLE NON MET	REDACTED	2	REDACTED	REDACTED	REDACTED
A BLDG CA MET	REDACTED	343	REDACTED	REDACTED	REDACTED
A BLDG NON MET	REDACTED	11	REDACTED	REDACTED	REDACTED
IAL WIRE	REDACTED	73	REDACTED	REDACTED	REDACTED
IDUIT SYSTEMS	REDACTED	780	REDACTED	REDACTED	REDACTED
- Total	REDACTED	29,201	REDACTED	REDACTED	REDACTED
Regulated Accts		123	**REDACTED**		REDACTED
:	REDACTED		**REDACTED**		REDACTED
gibles and Other	REDACTED	1,053	**REDACTED**		REDACTED
l Reserve Difference	REDACTED	30,377	**REDACTED**	REDACTED	REDACTED
r Investment Differences			**REDACTED**		
l Net Plant Difference			**521**		

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Qwest Corporation

Attachment A (2006 2007 Net Differences)
1 Feb 2007 Net Differe

GAAP vs Regulatory Net Plant Differences as of 2/1/2007 ($M)

Category	GAAP Reserve	Regulatory Reserve	Difference	Cost of Removal Amounts	Parameter and Timing Differences
	a	b	c=b-a	d	e=c-d
)R VEHICLES	REDACTED	275	REDACTED	REDACTED	REDACTED
RAFT	REDACTED	1	REDACTED	REDACTED	REDACTED
PURPOSE VEHICLE	REDACTED	1	REDACTED	REDACTED	REDACTED
GE WORK EQUIP	REDACTED	4	REDACTED	REDACTED	REDACTED
R WORK EQUIP	REDACTED	115	REDACTED	REDACTED	REDACTED
)INGS	REDACTED	857	REDACTED	REDACTED	REDACTED
ITURE	REDACTED	3	REDACTED	REDACTED	REDACTED
E EQUIPMENT	REDACTED	35	REDACTED	REDACTED	REDACTED
ANY COMM EQUIP	REDACTED	18	REDACTED	REDACTED	REDACTED
URPOSE CMPTR	REDACTED	789	REDACTED	REDACTED	REDACTED
OG SW EQUIP	REDACTED	(39)	REDACTED	REDACTED	REDACTED
AL SW EQUIP	REDACTED	4,855	REDACTED	REDACTED	REDACTED
ATOR SYSTEMS	REDACTED	7	REDACTED	REDACTED	REDACTED
) SYSTEMS	REDACTED	198	REDACTED	REDACTED	REDACTED
IIT DDS	REDACTED	44	REDACTED	REDACTED	REDACTED
IIT DIGITAL	REDACTED	8,550	REDACTED	REDACTED	REDACTED
IIT ANALOG	REDACTED	249	REDACTED	REDACTED	REDACTED
R TERM EQUIP	REDACTED	314	REDACTED	REDACTED	REDACTED
LINES	REDACTED	359	REDACTED	REDACTED	REDACTED
AL CABLE MET	REDACTED	1,158	REDACTED	REDACTED	REDACTED
AL CABLE NON MET	REDACTED	24	REDACTED	REDACTED	REDACTED
RD CABLE MET	REDACTED	2,189	REDACTED	REDACTED	REDACTED
RD CABLE NON MET	REDACTED	484	REDACTED	REDACTED	REDACTED
ED CABLE MET	REDACTED	7,810	REDACTED	REDACTED	REDACTED
ED CABLE NON MET	REDACTED	445	REDACTED	REDACTED	REDACTED
CABLE MET	REDACTED	7	REDACTED	REDACTED	REDACTED
CABLE NON MET	REDACTED	2	REDACTED	REDACTED	REDACTED
BLDG CA MET	REDACTED	350	REDACTED	REDACTED	REDACTED
BLDG NON MET	REDACTED	12	REDACTED	REDACTED	REDACTED
AL WIRE	REDACTED	70	REDACTED	REDACTED	REDACTED
)UIT SYSTEMS	REDACTED	828	REDACTED	REDACTED	REDACTED
Total	REDACTED	30,014	REDACTED	**REDACTED**	**REDACTED**
egulated Accts	REDACTED	88	**REDACTED**	REDACTED	REDACTED
ibles & Other	REDACTED	888	**REDACTED**	REDACTED	REDACTED
Reserve Difference	REDACTED	30,990	**REDACTED**	REDACTED	REDACTED
Investment Difference			***REDACTED***		
Net Plant Difference			**(17)**		

REDACTED - FOR PUBLIC INSPECTION

Regulatory vs. GAAP Gross Plant Differences
January 2007
($M's)

Description	GAAP Offbook Balances	Notes

REDACTED - FOR PUBLIC INSPECTION

Qwest Corporation 1/1/2005 Net Book Detail ($000)

Account	Category	Financial Reporting (FR) Investment	Reserve	Net Plant	Regulatory Reporting (MR) Investment	Reserve	Net Plant	Net Plant Difference	Reserve Percent FR	MR
		a	b	c=a+b	d	e	f=d+e	g=c-f	h=b/a	i=e/d
2111	LAND	REDACTED	REDACTED	REDACTED	100,674		100,674	REDACTED	REDACTED	0.0%
2112	MOTOR VEHICLES	REDACTED	REDACTED	REDACTED	371,554	(261,157)	110,397	REDACTED	REDACTED	70.3%
2113	AIRCRAFT	REDACTED	REDACTED	REDACTED	1,875	(848)	1,028	REDACTED	REDACTED	45.2%
2114	TOOLS AND OTHER WORK EQUIP	REDACTED	REDACTED	REDACTED	294,521	(84,174)	210,347	REDACTED	REDACTED	28.6%
2121	BUILDINGS	REDACTED	REDACTED	REDACTED	2,784,408	(803,305)	1,981,104	REDACTED	REDACTED	28.9%
2122	FURNITURE	REDACTED	REDACTED	REDACTED	3,164	(2,775)	389	REDACTED	REDACTED	87.7%
2122	ARTWORKS	REDACTED	REDACTED	REDACTED	1,130	0	1,130	REDACTED	REDACTED	0.0%
2123	OFFICE EQUIPMENT	REDACTED	REDACTED	REDACTED	65,660	(58,522)	7,138	REDACTED	REDACTED	89.1%
2124	GEN PURPOSE CMPTR	REDACTED	REDACTED	REDACTED	1,424,541	(1,391,103)	33,438	REDACTED	REDACTED	97.7%
SUB TOTAL	GENERAL SUPPORT	REDACTED	REDACTED	REDACTED	5,047,528	(2,601,883)	2,445,645	REDACTED	REDACTED	51.5%
2211	ANALOG SW EQUIP				0	39,191	39,191	REDACTED	REDACTED	0.0%
2212	DIGITAL SW EQUIP	REDACTED	REDACTED	REDACTED	7,468,970	(4,208,618)	3,260,352	REDACTED	REDACTED	56.3%
2220	OPERATOR SYSTEMS	REDACTED	REDACTED	REDACTED	18,790	(10,874)	7,916	REDACTED	REDACTED	57.9%
2231	RADIO SYSTEMS	REDACTED	REDACTED	REDACTED	233,668	(206,304)	27,364	REDACTED	REDACTED	88.3%
2232	CIRCUIT	REDACTED	REDACTED	REDACTED	10,583,363	(7,720,645)	2,862,718	REDACTED	REDACTED	73.0%
SUB TOTAL	CENTRAL OFFICE	REDACTED	REDACTED	REDACTED	18,304,791	(12,107,250)	6,197,541	REDACTED	REDACTED	66.1%
2311	STATION APPARATUS	REDACTED	REDACTED	REDACTED	35,985	(15,615)	20,370	REDACTED	REDACTED	43.4%
2341	LARGE PBX	REDACTED	REDACTED	REDACTED	25	1,379	1,404	REDACTED	REDACTED	-5486.0%
2351	PUBLIC TELEPHONE EQUIPMENT	REDACTED	REDACTED	REDACTED	0	(0)	0	REDACTED	REDACTED	100.0%
2362	OTHER TERMINAL EQUIPMENT	REDACTED	REDACTED	REDACTED	408,520	(240,023)	168,497	REDACTED	REDACTED	58.8%
SUB TOTAL	INFORMATION ORGINATION / TERMINATION	REDACTED	REDACTED	REDACTED	444,531	(254,260)	190,271	REDACTED	REDACTED	57.2%
2411	POLE LINES	REDACTED	REDACTED	REDACTED	261,604	(327,327)	(65,723)	REDACTED	REDACTED	125.1%
2421	AERIAL CABLE	REDACTED	REDACTED	REDACTED	1,344,880	(1,055,327)	289,553	REDACTED	REDACTED	78.5%
2422	UNDERGROUND CABLE	REDACTED	REDACTED	REDACTED	3,461,019	(2,405,632)	1,055,387	REDACTED	REDACTED	69.5%
2423	BURIED CABLE	REDACTED	REDACTED	REDACTED	10,574,847	(7,213,892)	3,360,956	REDACTED	REDACTED	68.2%
2424	SUBMARINE CABLE	REDACTED	REDACTED	REDACTED	11,691	(8,524)	3,168	REDACTED	REDACTED	72.9%
2426	INTRABUILDING CABLE	REDACTED	REDACTED	REDACTED	389,176	(336,420)	52,756	REDACTED	REDACTED	86.4%
2431	AERIAL WIRE	REDACTED	REDACTED	REDACTED	43,544	(70,762)	(27,218)	REDACTED	REDACTED	162.5%
2441	CONDUIT SYSTEMS	REDACTED	REDACTED	REDACTED	2,281,996	(734,457)	1,547,539	REDACTED	REDACTED	32.2%
SUB TOTAL	CABLE AND WIRE	REDACTED	REDACTED	REDACTED	18,368,757	(12,152,340)	6,216,416	REDACTED	REDACTED	66.2%
TOTAL	**TPIS (before amortizable assets)**	REDACTED	REDACTED	REDACTED	**42,165,606**	**(27,115,733)**	**15,049,872**	REDACTED	REDACTED	**64.3%**
2681	CAPITAL LEASE	REDACTED	REDACTED	REDACTED	34,815	(14,313)	20,502	REDACTED	REDACTED	41.1%
2682	LEASEHOLD IMPROVEMENTS	REDACTED	REDACTED	REDACTED	57,488	0	57,488	REDACTED	REDACTED	0.0%
SUB TOTAL	AMORTIZABLE TANGIBLE ASSETS	REDACTED	REDACTED	REDACTED	92,302	(14,313)	77,989	REDACTED	REDACTED	15.5%
2690	INTANGIBLES	REDACTED	REDACTED	REDACTED	808,548	0	808,548	REDACTED	REDACTED	0.0%
TOTAL	**TELEPHONE PLANT IN SERVICE**	REDACTED	REDACTED	REDACTED	**43,066,456**	**(27,130,046)**	**15,936,410**	REDACTED	REDACTED	**63.0%**
2003	PLANT UNDER CONSTRUCTION	REDACTED	REDACTED	REDACTED	107,034	(161)	106,873	REDACTED	REDACTED	0.2%
2006	NON-OPERATING PLANT	REDACTED	REDACTED	REDACTED	5,944	0	5,944	REDACTED	REDACTED	0.0%
SUB TOTAL	PLANT UNDER CONST AND NON-OP	REDACTED	REDACTED	REDACTED	112,978	(161)	112,817	REDACTED	REDACTED	0.1%
	GRAND TOTAL	**43,538,445**	**(27,489,260)**	**16,049,186**	**43,179,434**	**(27,130,207)**	**16,049,227**	**(41)**	**63.1%**	**62.8%**

Qwest Corporation 1/1/2006 Net Book Detail ($000)

ccount	Category	Financial Reporting (FR) Investment	Financial Reporting (FR) Reserve	Financial Reporting (FR) Net Plant	Regulatory Reporting (MR) Investment	Regulatory Reporting (MR) Reserve	Regulatory Reporting (MR) Net Plant	Net Plant Difference	Reserve Percent FR	Reserve Percent MR
		a	b	c=a+b	d	e	f=d+e	g=c-f	h=b/a	i=e/d
2111	LAND	REDACTED	REDACTED	REDACTED	99,234		99,234	REDACTED	REDACTED	0.0%
2112	MOTOR VEHICLES	REDACTED	REDACTED	REDACTED	371,921	(280,491)	91,430	REDACTED	REDACTED	75.4%
2113	AIRCRAFT	REDACTED	REDACTED	REDACTED	1,875	(848)	1,028	REDACTED	REDACTED	45.2%
2114	TOOLS AND OTHER WORK EQUIP	REDACTED	REDACTED	REDACTED	315,326	(101,573)	213,753	REDACTED	REDACTED	32.2%
2121	BUILDINGS	REDACTED	REDACTED	REDACTED	2,817,104	(846,850)	1,970,254	REDACTED	REDACTED	30.1%
2122	FURNITURE	REDACTED	REDACTED	REDACTED	2,699	(2,381)	318	REDACTED	REDACTED	88.2%
2122	ARTWORKS	REDACTED	REDACTED	REDACTED	1,130		1,130	REDACTED	REDACTED	0.0%
2123	OFFICE EQUIPMENT	REDACTED	REDACTED	REDACTED	68,532	(61,566)	6,966	REDACTED	REDACTED	89.8%
2124	GEN PURPOSE CMPTR	REDACTED	REDACTED	REDACTED	1,254,095	(1,218,319)	35,776	REDACTED	REDACTED	97.1%
B TOTAL	GENERAL SUPPORT	REDACTED	REDACTED	REDACTED	4,931,917	(2,512,028)	2,419,889	REDACTED	REDACTED	50.9%
2211	ANALOG SW EQUIP	REDACTED	REDACTED	REDACTED	0	39,191,167		REDACTED	REDACTED	0.0%
2212	DIGITAL SW EQUIP	REDACTED	REDACTED	REDACTED	7,378,167	(4,625,759)	2,752,408	REDACTED	REDACTED	62.7%
2220	OPERATOR SYSTEMS	REDACTED	REDACTED	REDACTED	13,689	(7,008)	6,680	REDACTED	REDACTED	51.2%
2231	RADIO SYSTEMS	REDACTED	REDACTED	REDACTED	222,466	(205,828)	16,638	REDACTED	REDACTED	92.5%
2232	CIRCUIT	REDACTED	REDACTED	REDACTED	10,771,192	(8,557,389)	2,213,802	REDACTED	REDACTED	79.4%
B TOTAL	CENTRAL OFFICE	REDACTED	REDACTED	REDACTED	18,385,513	(13,356,793)	4,989,529	REDACTED	REDACTED	72.6%
2311	STATION APPARATUS	REDACTED	REDACTED	REDACTED	35,996	(18,303)	17,694	REDACTED	REDACTED	50.8%
2341	LARGE PBX	REDACTED	REDACTED	REDACTED	0	1,404	1,404	REDACTED	REDACTED	0.0%
2351	PUBLIC TELEPHONE EQUIPMENT	REDACTED	REDACTED	REDACTED	0	(0)	0	REDACTED	REDACTED	100.0%
2362	OTHER TERMINAL EQUIPMENT	REDACTED	REDACTED	REDACTED	424,089	(275,783)	148,306	REDACTED	REDACTED	65.0%
B TOTAL	INFORMATION ORGINATION / TERMINATION	REDACTED	REDACTED	REDACTED	460,086	(292,682)	167,403	REDACTED	REDACTED	63.6%
2411	POLE LINES	REDACTED	REDACTED	REDACTED	264,494	(341,000)	(76,506)	REDACTED	REDACTED	128.9%
2421	AERIAL CABLE	REDACTED	REDACTED	REDACTED	1,367,327	(1,140,779)	226,548	REDACTED	REDACTED	83.4%
2422	UNDERGROUND CABLE	REDACTED	REDACTED	REDACTED	3,523,864	(2,581,173)	942,691	REDACTED	REDACTED	73.2%
2423	BURIED CABLE	REDACTED	REDACTED	REDACTED	10,879,812	(7,884,214)	2,995,598	REDACTED	REDACTED	72.5%
2424	SUBMARINE CABLE	REDACTED	REDACTED	REDACTED	11,691	(8,775)	2,917	REDACTED	REDACTED	75.1%
2426	INTRABUILDING CABLE	REDACTED	REDACTED	REDACTED	398,445	(354,100)	44,345	REDACTED	REDACTED	88.9%
2431	AERIAL WIRE	REDACTED	REDACTED	REDACTED	43,978	(72,985)	(29,007)	REDACTED	REDACTED	166.0%
2441	CONDUIT SYSTEMS	REDACTED	REDACTED	REDACTED	2,333,929	(779,688)	1,554,241	REDACTED	REDACTED	33.4%
B TOTAL	CABLE AND WIRE	REDACTED	REDACTED	REDACTED	18,823,541	(13,162,715)	5,660,826	REDACTED	REDACTED	69.9%
TOTAL	**TPIS (before amortizable assets)**	REDACTED	REDACTED	REDACTED	**42,601,056**	**(29,324,218)**	**13,237,647**	REDACTED	REDACTED	**68.8%**
2681	CAPITAL LEASE	REDACTED	REDACTED	REDACTED	29,007	(10,213)	18,795	REDACTED	REDACTED	35.2%
2682	LEASEHOLD IMPROVEMENTS	REDACTED	REDACTED	REDACTED	92,382	(48,495)	43,887	REDACTED	REDACTED	52.5%
B TOTAL	AMORTIZABLE TANGIBLE ASSETS	REDACTED	REDACTED	REDACTED	121,390	(58,708)	62,682	REDACTED	REDACTED	48.4%
2690	INTANGIBLES	REDACTED	REDACTED	REDACTED	1,512,529	(993,879)	518,649	REDACTED	REDACTED	65.7%
TOTAL	**TELEPHONE PLANT IN SERVICE**	REDACTED	REDACTED	REDACTED	**44,234,974**	**(30,376,805)**	**13,858,169**	REDACTED	REDACTED	**68.7%**
2003	PLANT UNDER CONSTRUCTION	REDACTED	REDACTED	REDACTED	228,892		228,892	REDACTED	REDACTED	0.0%
2006	NON-OPERATING PLANT	REDACTED	REDACTED	REDACTED	7,475	(161)	7,314	REDACTED	REDACTED	2.2%
B TOTAL	PLANT UNDER CONST AND NON-OP	REDACTED	REDACTED	REDACTED	236,368	(161)	236,207	REDACTED	REDACTED	0.1%
	GRAND TOTAL	**44,845,136**	**(30,229,377)**	**14,615,759**	**44,471,342**	**(30,376,966)**	**14,094,376**	**521,383**	**67.4%**	**68.3%**

Qwest Corporation 1/1/2007 Net Book Detail ($000)
Regulatory Includes FCC Range Filing Effective 1/1/2006

Account	Category	Financial Reporting (FR) Investment	Reserve	Net Plant	Regulatory Reporting (MR) Investment	Reserve	Net Plant	Net Plant Difference	Reserve Percent FR	MR
		a	b	c=a+b	d	e	f=d+e	g=c-f	h=b/a	i=e/d
2111	LAND	REDACTED	REDACTED	REDACTED	94,489	0	94,489	REDACTED	REDACTED	0.
2112	MOTOR VEHICLES	REDACTED	REDACTED	REDACTED	373,448	(278,359)	95,089	REDACTED	REDACTED	74.
2113	AIRCRAFT	REDACTED	REDACTED	REDACTED	1,875	(848)	1,028	REDACTED	REDACTED	45.
2114	TOOLS AND OTHER WORK EQUIP	REDACTED	REDACTED	REDACTED	327,202	(118,046)	209,156	REDACTED	REDACTED	36.
2121	BUILDINGS	REDACTED	REDACTED	REDACTED	2,680,424	(850,142)	1,830,282	REDACTED	REDACTED	31.
2122	FURNITURE	REDACTED	REDACTED	REDACTED	4,285	(3,262)	1,023	REDACTED	REDACTED	76.
2122	ARTWORKS	REDACTED	REDACTED	REDACTED	1,130	0	1,130	REDACTED	REDACTED	0.
2123	OFFICE EQUIPMENT	REDACTED	REDACTED	REDACTED	62,140	(53,231)	8,858	REDACTED	REDACTED	85.
2124	GEN PURPOSE CMPTR	REDACTED	REDACTED	REDACTED	834,476	(793,052)	41,424	REDACTED	REDACTED	95.
SUB TOTAL	GENERAL SUPPORT	REDACTED	REDACTED	REDACTED	4,379,468	(2,096,990)	2,282,478	REDACTED	REDACTED	47.
									REDACTED	
2211	ANALOG SW EQUIP	REDACTED	REDACTED	REDACTED	0	39,191	39,191	REDACTED	REDACTED	0.
2212	DIGITAL SW EQUIP	REDACTED	REDACTED	REDACTED	7,437,046	(4,948,463)	2,488,583	REDACTED	REDACTED	66.5
2220	OPERATOR SYSTEMS	REDACTED	REDACTED	REDACTED	11,367	(6,847)	4,521	REDACTED	REDACTED	60.
2231	RADIO SYSTEMS	REDACTED	REDACTED	REDACTED	223,342	(198,833)	24,509	REDACTED	REDACTED	89.0
2232	CIRCUIT	REDACTED	REDACTED	REDACTED	11,025,803	(8,814,852)	2,210,951	REDACTED	REDACTED	79.9
SUB TOTAL	CENTRAL OFFICE	REDACTED	REDACTED	REDACTED	18,697,559	(13,929,803)	4,767,756	REDACTED	REDACTED	74.5
									REDACTED	
2311	STATION APPARATUS	REDACTED	REDACTED	REDACTED	4,023	11,113	15,136	REDACTED	REDACTED	-276.
2341	LARGE PBX	REDACTED	REDACTED	REDACTED	0	1,404	1,404	REDACTED	REDACTED	0.0
2351	PUBLIC TELEPHONE EQUIPMENT	REDACTED	REDACTED	REDACTED	0	0	0	REDACTED	REDACTED	0.0
2362	OTHER TERMINAL EQUIPMENT	REDACTED	REDACTED	REDACTED	436,600	(312,452)	124,148	REDACTED	REDACTED	71.6
SUB TOTAL	INFORMATION ORGINATION / TERMINATION	REDACTED	REDACTED	REDACTED	440,623	(299,935)	140,688	REDACTED	REDACTED	68.
									REDACTED	
2411	POLE LINES	REDACTED	REDACTED	REDACTED	268,144	(357,341)	(89,197)	REDACTED	REDACTED	133.3
2421	AERIAL CABLE	REDACTED	REDACTED	REDACTED	1,385,041	(1,178,935)	206,106	REDACTED	REDACTED	85.
2422	UNDERGROUND CABLE	REDACTED	REDACTED	REDACTED	3,553,252	(2,664,180)	889,072	REDACTED	REDACTED	75.0
2423	BURIED CABLE	REDACTED	REDACTED	REDACTED	11,169,104	(8,223,129)	2,945,975	REDACTED	REDACTED	73.
2424	SUBMARINE CABLE	REDACTED	REDACTED	REDACTED	11,691	(8,981)	2,709	REDACTED	REDACTED	76.
2426	INTRABUILDING CABLE	REDACTED	REDACTED	REDACTED	407,046	(361,913)	45,133	REDACTED	REDACTED	88.
2431	AERIAL WIRE	REDACTED	REDACTED	REDACTED	42,617	(72,028)	(29,411)	REDACTED	REDACTED	169.0
2441	CONDUIT SYSTEMS	REDACTED	REDACTED	REDACTED	2,397,366	(824,962)	1,572,404	REDACTED	REDACTED	34.
SUB TOTAL	CABLE AND WIRE	REDACTED	REDACTED	REDACTED	19,234,259	(13,691,469)	5,542,790	REDACTED	REDACTED	71.
									REDACTED	
TOTAL	**TPIS (before amortizable assets)**	*REDACTED*	*REDACTED*	*REDACTED*	***42,751,909***	***(30,018,197)***	***12,733,712***	*REDACTED*	*REDACTED*	***70.***
									REDACTED	
2681	CAPITAL LEASE	REDACTED	REDACTED	REDACTED	32,007	(11,680)	20,327	REDACTED	REDACTED	36.5
2682	LEASEHOLD IMPROVEMENTS	REDACTED	REDACTED	REDACTED	92,839	(51,560)	41,280	REDACTED	REDACTED	55.5
SUB TOTAL	AMORTIZABLE TANGIBLE ASSETS	REDACTED	REDACTED	REDACTED	124,847	(63,240)	61,607	REDACTED	REDACTED	50.
									REDACTED	
2690	INTANGIBLES	REDACTED	REDACTED	REDACTED	1,249,632	(813,429)	436,202	REDACTED	REDACTED	65.
									REDACTED	
TOTAL	**TELEPHONE PLANT IN SERVICE**	REDACTED	REDACTED	REDACTED	**44,126,387**	**(30,894,866)**	**13,231,521**	REDACTED	REDACTED	**70.**
									REDACTED	
2003	PLANT UNDER CONSTRUCTION	REDACTED	REDACTED	REDACTED	99,583	0	99,583	REDACTED	REDACTED	0.
2006	NON-OPERATING PLANT	REDACTED	REDACTED	REDACTED	6,090	(161)	5,929	REDACTED	REDACTED	2.
SUB TOTAL	PLANT UNDER CONST AND NON-OP	REDACTED	REDACTED	REDACTED	105,673	(161)	105,512	REDACTED	REDACTED	0.
	GRAND TOTAL	**44,613,564**	**(31,266,779)**	**13,346,785**	**44,232,060**	**(30,895,027)**	**13,337,032**	**9,753**	**70.1%**	**69.**

ATTACHMENT I

Qwest. Spirit of Service™

STAMP & RETURN COPY
Qwest
607 14th Street NW, Suite 950
Washington, DC 20005
Phone 202.429.3122
Fax 202.293.0561

Ed Henry
Director - Finance

REDACTED -FOR PUBLIC INSPECTION

October 24, 2005

EX PARTE

VIA HAND DELIVERY

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OCT 24 2005
Federal Communications Commission
Office of Secretary

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation Regulation Pursuant to 47 C.F.R. § 1.3* – WC Docket No. 05-259[1]

Dear Ms. Dortch:

On October 20, the undersigned, along with Jerome Mueller and Marti Gude, also of Qwest, met with Tamara Preiss, Fatina Franklin, Steve Morris, Rick Robinson, and Ronald Kaufman of the Wireline Competition Bureau to discuss the above-captioned matter.

During the meeting we discussed documents that were previously provided and also reviewed the attached documents.

Pursuant to FCC Rule 47 C.F.R. § 0.457(d), Qwest requests confidential treatment of the data contained in the Excel spreadsheets. The data are financial and commercial information which are not routinely available for public inspection. The data are competitively sensitive information and are specifically covered under Section 0.457(d). Release of the data would have a substantial negative competitive impact on Qwest. Those data on the pages for which Qwest requests confidential treatment have been redacted in this submission and are marked: **"REDACTED – FOR PUBLIC INSPECTION."**

Pursuant to FCC Rule 47 C.F.R. § 1.1206(b)(2), this ex parte presentation is being filed via hand delivery. An original and one copy are being submitted as well as one copy to be stamped as received and returned to the messenger who has been instructed to wait for it. Concurrently with

---

[1] *See Public Notice*, DA 05-2337, rel. Aug. 22, 2005.

this redacted filing, Qwest is submitting separately the Confidential - Not For Public Inspection version of this ex parte which contains the confidential data.

Please contact the undersigned with any questions.

Sincerely,

Enclosures

cc: Tamara Preiss (Tamara.Preiss@fcc.gov)
Fatina Franklin (Fatina.Franklin@fcc.gov)
Steven Morris (Steve.Morris@fcc.gov)
Richard Robinson (Richard.Robinson@fcc.gov)
Ronald Kaufman (Ronald.Kaufman@fcc.gov)

Response to FCC Request #3 re: Qwest Depreciation Waiver Ex Parte

Question: How might this waiver request impact Qwest's prices for pole attachments?

Response: Current Qwest annual pole attachment rates for cable providers, using the FCC's methodology and presumptions, are in the range of \$.70 - \$3.00[1]. The impact of the waiver request would slightly narrow that range, from \$.90 - \$2.90, with about half the states seeing some increase and the other half seeing a decrease in rates. The overall Qwest rate would change very little.

We would expect to see the following changes in the various components of the pole rate calculation:

Depreciation would decrease in all states since the depreciation rate would no longer include a cost of removal component.

Maintenance expense would increase in all states to reflect the actual cost of removal expenses.

Cost of capital component would increase in all states. For all but one of our states, net investment is currently a negative amount and thus, the cost of capital component is also negative. With the waiver request, all states would have a positive net investment and therefore, a positive cost of capital.

Collectively, for these first three elements, we would anticipate a decrease in rates in states which currently have a relatively small negative investment coupled with a fairly significant decrease in the depreciation rate as a result of the implementation of the waiver. Conversely, we would anticipate an increase in rates in states which currently have a relatively large negative investment and/or anticipate fairly small decreases in the depreciation rate. These changes would then be either offset, or compounded, by the change in the Taxes and Administrative cost components, discussed below.

Taxes and Administrative costs would decrease in most (all but three) states since these expenses are allocated based on pole investment as a percent of total investment. If pole net investment is positive, which it would be in all cases with the waiver request, then these expenses are allocated based on the net investment ratio. If pole net investment is negative, which it is in all but one state currently, then these expenses are

[1] We have one state (Oregon) which uses a more conservative assumption for usable pole space than the FCC's rebuttable presumption of 13.5 feet and therefore, the Oregon rate is outside the given range.

allocated based on the gross investment ratio. In most cases, the net pole investment ratio is less than the gross pole investment ratio, since our poles are typically older and more depreciated than the rest of our investment, and therefore, shifting from the use of a gross investment allocation to a net investment allocation results in a reduction of these costs. Where the opposite relationship is true (or, in the case of current positive net investment, where the net investment value increases because of the smaller total accumulated depreciation and deferred tax amounts resulting from the depreciation waiver), the use of a net investment vs. a gross investment allocation results in an increase of costs.

Rate Analysis and State Comparison Worksheet

Rates - (based on 2004 data, Submission 2)

Description	States with Positive Net Investment (1) Washington	States with Negative Net Investment (2) Arizona	Colorado	Idaho (5)	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon (3)	Oregon (4)	South Dakota	Utah	Wyoming
Pole Investment															
Gross Pole Investment															
Net Pole Investment															
Gross Cost of a Bare Pole															
Net Cost of a Bare Pole															
Carrying Charge Elements															
Depreciation:															
Depreciation Rate															
Depreciation Element															
Maintenance Element															
Administrative Element															
Taxes Element															
Return:															
Rate of Return (%)															
Return Element															
Sum of Carrying Charge Rate Elements (6+7+8+9+11)															
Space Factor (FCC Presumption)															
Calculated Yearly Rate (Formula: Space Factor * Net or Gross Cost of a Bare Pole * Total Carrying Charge Rate)															
Cost Component Distribution:															
Depreciation															
Cost of Capital															
Subtotal - Depr. and Cost of Capital															
Maintenance															
Administrative Costs															
Taxes															
Rate Components:															
Depreciation															
Cost of Capital															
Subtotal - Depr. and Cost of Capital															
Maintenance															
Administrative Costs															
Taxes															
Total Rate															
Poles as a % of Total Plant Investment:															
Net Investment															
Gross Investment															

s:
(1) States with Positive Net Investment use Carrying Charges calculated based on their Net Investment amount.
(2) States with Negative Net Investment use Carrying Charges calculated based on their Gross Investment amount, except for the Return Element which will be a negative amount based on the negative Net Investment.
(3) Oregon rates with state legislative rule of 11.8 usable space vs. FCC's presumption of 13.5.
(4) Oregon rates using FCC's methodology, of rebuttable presumption of 13.5 ft. (Not Used - Listed for "Comparison Purposes Only")
(5) Effective in 2005 Qwest Total and state ARMIS data and rate results exclude Malheur.

Rate Analysis and State Comparison Worksheet

Rates - (based on 2004 data, Submission 2) - with Depreciation Change

	All States with Positive Net Investment (1)													
Description	Washington	Arizona	Colorado	Idaho (3)	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon (2)	South Dakota	Utah	Wyoming
Pole Investment														
Gross Pole Investment														
Net Pole Investment														
Gross Cost of a Bare Pole														
Net Cost of a Bare Pole														
Carrying Charge Elements														
Depreciation:														
Depreciation Rate														
Depreciation Element														
Maintenance Element														
Administrative Element														
Taxes Element														
Return:														
Rate of Return (%)														
Return Element														
Sum of Carrying Charge Rate Elements (6+7+8+9+11)														
Space Factor (FCC Presumption)														
Calculated Yearly Rate (Formula: Space Factor * Net or Gross Cost of a Bare Pole * Total Carrying Charge Rate)														
Cost Component Distribution:														
Depreciation														
Cost of Capital														
Subtotal - Depr. and Cost of Capital														
Maintenance														
Administrative Costs														
Taxes														
Rate Components:														
Depreciation														
Cost of Capital														
Subtotal - Depr. and Cost of Capital														
Maintenance														
Administrative Costs														
Taxes														
Total Rate														
Poles as a % of Total Plant Investment:														
Net Investment														
Gross Investment														

s:
(1) State with Positive Net Investment use Carrying Charges calculated based on their Net Investment amount.
States with Negative Net Investment use Carrying Charges calculated based on their Gross Investment amount, except for the Return Element which will be a negative amount based on the negative Net Investment.
(2) Oregon rates with state legislative rule of 11.8 usable space vs. FCC's presumption of 13.5.
(3) Effective in 2005 Qwest Total and state ARMIS data and rate results exclude Malheur.

REDACTED - FOR PUBLIC INSPECTION

on of Differences in Rate Components Between Original Rates and Rates with Depreciation Change

s - (based on 2004 data, Submission 2)

	Washington	Arizona	Colorado	Idaho	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon	South Dakota	Utah	Wyoming
ates, As Currently Calculated														
omponents:														
reciation														
t of Capital														
Subtotal - Depr. and Cost of Capital														
ntenance														
inistrative Costs														
es														
Total Rate														
New Depreciation Parameters **														
omponents:														
reciation														
t of Capital														
Subtotal - Depr. and Cost of Capital														
ntenance														
inistrative Costs														
es														
Total Rate														
s														
omponents:														
reciation														
t of Capital														
Subtotal - Depr. and Cost of Capital														
ntenance														
Subtotal - Depr., CoC, and Maint.														
inistrative Costs														
es														
Subtotal - Allocated Costs														
Total Rate														

of the Total Rate amounts on this worksheet may be off by $.01 from the actual calculated rates due to roundings in the individual component calculation process.

ATTACHMENT J

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Qwest.
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Ed Henry
Director - Finance

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SEP - 9 2005

Federal Communications Commission
Office of Secretary

BY COURIER

September 9, 2005

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street SW
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation Regulation Pursuant to 47 C.F.R. § 1.3* – WC Docket No. 05-259

Dear Ms. Dortch:

On August 11, 2005, Ed Henry and Cronan O'Connell, representing Qwest met with Tamara Preiss, Rodger Woock, Jay Atkinson, Fatina Franklin, Stephen Steckler and Ronald Kaufman of the Wireline Competition Bureau to discuss the above-captioned Petition for Waiver. At that time, the FCC staff raised several questions which Qwest is responding to in the attached material.

Please contact me at 202.429.3122 if you have any further questions.

Sincerely,

Ed Henry

Enclosures

Copy to:
Tamara Preiss
Rodger Woock
Jay Atkinson
Fatina Franklin
Stephen Steckler
Ronald Kaufman

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